

**TABERNASH MEADOWS WATER
AND SANITATION DISTRICT**
Grand County, Colorado

**FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
Tabernash Meadows Water and Sanitation District
Grand County, Colorado

We have audited the accompanying basic financial statements of Tabernash Meadows Water and Sanitation District as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of Tabernash Meadows Water and Sanitation District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tabernash Meadows Water and Sanitation District, as of December 31, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III - VIII be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and legal compliance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and

relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The statistical information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

April 23, 2012

**TABERNASH WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2011 and 2010**

Our discussion and analysis of Tabernash Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2011 and 2010. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Assets, 2) Statement of Revenues, Expenses and Changes in Fund Net Assets, and 3) Statement of Cash Flows. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net assets can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Assets* reports the changes that have occurred during the year to the District's net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Assets

2011

As noted earlier, net assets may serve as a useful indicator of the District's financial position. As noted in the table below, in 2011 the District's assets exceeded its liabilities by \$2,621,765 a decrease from 2010 of \$244,018 or 8.5%. Total assets increased by \$217,736 primarily due to an increase in capital assets of \$246,952. Capital asset increases are discussed below in the capital asset and debt administration section.

The above asset increases were offset by an overall increase in liabilities of \$461,754. Accounts payable increased by \$88,275 primarily due to capital projects ongoing at year end. Additionally during 2011, the District entered into a loan agreement for \$365,000. Long-term debt activity is discussed below in the capital asset and debt administration section.

2010

As noted in the table below, in 2010 the District's assets exceeded its liabilities by \$2,865,783, an increase from 2009 of \$138,691 or 5.1%. Total assets increased by \$228,532. Unrestricted cash made up a large part of this increase, \$331,290, which was due to the sale of 22 taps at \$20,000 per tap plus payment on delinquent service fees of over \$27,000. These taps were purchased as part of a settlement between Millennium Bank, M3 Colorado, LLC and the District. The original 2006 Water and Sewer Tap Purchase Agreement was issued between the District and M3 Colorado, LLC. Also restricted cash increased by \$164,185 due to the refunding of the 2000 bonds. The bond refunding required the District to restrict an additional \$100,000 in a Pledged Revenue Fund to be used to service outstanding debt if the District defaulted on its bond payments.

The above asset increases were offset by an overall increase in liabilities of \$89,841. This change in liabilities was mostly due to the transactions concerning the refunding of the 2000 Series General Obligation Bonds.

NET ASSETS

	December 31,		
	2011	2010	2009
ASSETS			
Current assets	\$ 1,313,979	\$ 1,336,772	\$ 877,235
Capital assets, net	5,470,974	5,224,022	5,448,171
Other	147,197	153,620	160,476
Total assets	<u>6,932,150</u>	<u>6,714,414</u>	<u>6,485,882</u>
LIABILITIES			
Current liabilities	423,661	335,386	620,738
Long-term liabilities	3,886,724	3,513,245	3,138,052
Total liabilities	<u>4,310,385</u>	<u>3,848,631</u>	<u>3,758,790</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,748,670	1,856,546	2,208,145
Restricted	186,321	174,986	10,501
Unrestricted	686,774	834,251	508,446
Total net assets	<u>\$ 2,621,765</u>	<u>\$ 2,865,783</u>	<u>\$ 2,727,092</u>

Changes in Net Assets

2011

As noted in the table below, the District's net assets for 2011 decreased by \$244,018. Overall revenue decreased by \$427,602. Operating revenues increased by \$15,393 or 4%. Nonoperating or general revenues decreased by \$2,995 or .9% all of this increase was due to

additional property tax collected. Contributed capital decreased by \$440,000 from 2010 to 2011. In 2010 the District sold 22 taps for \$440,000, however there were no taps sold in 2011. Operating expenses remained consistent with from 2010 to 2011 with an overall decrease of \$63. Nonoperating expenses decreased by \$44,830 or 12%, due primarily to a loss on the sale of land in 2010 of \$48,820, where there was no such loss in 2011.

2010

As noted in the table below, the District's net assets for 2010 increased by \$138,691. Overall revenue decreased by \$289,524. Operating revenues increased by \$40,870 or 11.9%. Part of this increase was from the additional service fees collected on taps from the settled tap purchase agreement; and additional service fees collected as part of an increase in the quarterly service fees representing over \$28,000. Non-operating or general revenues increased by \$118,537 all of this increase was due to additional property tax collected. The District was forced to raise its 2010 bond mill levy by 10 mills, to a total of 30 mills, to meet its bond debt servicing. The last component of revenue is contributed capital in which the District had a couple of unusual transactions in 2009 which were not repeated in 2010. These transactions brought in \$448,931 less in 2010. In 2009 the District drew \$600,000 from a non-revocable letter of credit to purchase 30 taps compared to 2010 in which the District sold 22 taps for \$440,000. The other 2009 transaction not repeated in 2010 was the acceptance of \$288,931 in water and sewer lines contributed to the District by the Coyote Creek subdivision.

Adding to the net asset increase is an overall savings in expenses of \$89,778. Operating expenses decreased by \$138,829. The key components of this decrease were over \$50,000 less in legal costs mostly associated with the M3 Colorado, LLC settlement; over \$40,000 savings in labor due to more work on 2010 capital assets and a reduced work schedule by one employee; \$20,000 in overall operating cost savings due to efficiencies in energy use and "green" savings due to the use of the District's biosolid drying beds. The operating savings above was offset by the one-time loss on the sale of the Lakeside lots the District held for resale. These lots were the last property the District held as part of the 2006 real estate it obtained in its foreclosure action against the original developer of the Pole Creek Valley Subdivision.

CHANGES IN NET ASSETS

	Years Ended December 31,		
	2011	2010	2009
REVENUES			
Program revenues:			
Charges for services	\$ 398,686	\$ 383,293	\$ 342,423
Capital grants and contributions	-	440,000	888,931
General revenues:			
Property taxes	293,884	291,828	174,395
Specific ownership taxes	10,183	10,826	7,629
Investment earnings	4,803	9,211	11,304
Total revenues	<u>707,556</u>	<u>1,135,158</u>	<u>1,424,682</u>
EXPENSES			
Water operations	166,016	114,184	153,659
Sewer operations	181,387	202,870	226,468
Administration	46,420	75,468	148,900
Depreciation	227,752	229,116	231,440
Interest, fiscal charges and other	329,999	326,009	325,778
Loss on sale of land	-	48,820	-
Total expenses	<u>951,574</u>	<u>996,467</u>	<u>1,086,245</u>
CHANGE IN NET ASSETS	<u>(244,018)</u>	<u>138,691</u>	<u>338,437</u>
NET ASSETS - BEGINNING OF YEAR	<u>2,865,783</u>	<u>2,727,092</u>	<u>2,388,655</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,621,765</u></u>	<u><u>\$ 2,865,783</u></u>	<u><u>\$ 2,727,092</u></u>

BUDGETARY HIGHLIGHTS

During 2011 the District's budget was amended increasing the appropriated expenditures from \$1,642,236 to \$2,015,858. The appropriated expenditures were \$2,015,858 and actual expenditures were \$1,164,953 or \$850,905 under budget. Budgeted revenues were \$1,030,662 and actual revenues were \$707,556.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets at December 31, 2011 and 2010 is as follows:

CAPITAL ASSETS (net of accumulated depreciation)

	2009	Change	2010	Change	2011
Land	\$ 164,976	\$ (108,820)	\$ 56,156	\$ -	\$ 56,156
Water rights	333,200	-	333,200	-	333,200
Construction in progress	-	83,698	83,698	437,530	521,228
Water system	2,003,555	(83,861)	1,919,694	(55,583)	1,864,111
Wastewater system	2,881,155	(101,930)	2,779,225	(122,939)	2,656,286
Vehicles and equipment	65,285	(13,236)	52,049	(12,056)	39,993
Total	<u>\$ 5,448,171</u>	<u>\$ (224,149)</u>	<u>\$ 5,224,022</u>	<u>\$ 246,952</u>	<u>\$ 5,470,974</u>

2011

During 2011 the District spent \$474,704 on capital asset additions. The capital asset additions were: \$306,430 was spent on a dewatering project, \$78,145 was spent on the headworks bar screen project, \$12,314 was spent on SCADA system upgrades, \$40,641 was spent on water wells, \$28,854 was spent on the Pearl Ditch headgate, and equipment was purchased for \$8,320.

2010

During 2010 the District spent \$113,787 on capital projects, of this amount \$83,698 were projects that were not complete as of the end of 2010. Completed projects included the following: \$20,527 for an upgrade to the digester and blower in the waste water operation, \$9,561 for the installation of a new piece of equipment called a probe which allows the District to automate some of its required readings and tests. Incomplete or in progress assets included the waste dewatering project at \$35,909 and the new well at an in process cost of \$47,788.

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations

The District's long-term obligations at December 31, 2011 and 2010 are as follows:

	LONG-TERM OBLIGATIONS				
	2009	Change	2010	Change	2011
GO Bonds Series 2000	\$ 3,360,000	\$ (3,360,000)	\$ -	\$ -	\$ -
GO Refunding Bonds					
Series 2010	-	3,488,020	3,488,020	34,988	3,523,008
CWRPDA Loan	-	-	-	365,000	365,000
Capital leases	40,502	(7,426)	33,076	(7,838)	25,238
Total	<u>\$ 3,400,502</u>	<u>\$ 120,594</u>	<u>\$ 3,521,096</u>	<u>\$ 392,150</u>	<u>\$ 3,913,246</u>

2011

During 2011 the District entered into a \$365,000 loan agreement with the Colorado Water Resources and Power Development Authority. The loan was issued to fund the capital asset construction and acquisition of the dewatering and headworks capital assets discussed above. The debt service payments on the bonds, loan and capital leases were made as scheduled.

2010

During 2010 the District issued the 2010 General Obligation Refunding Bonds to advance refund and defease the outstanding 2000 General Obligation Bonds. The District recognized a loss on the refunding transaction in the amount of \$338,221 which is being amortized over the original life of the refunding bonds. The capital lease debt service payments were made as scheduled.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

For 2012 the District raised its water and wastewater rates by the addition of a \$30 per quarter Water Rights Management Fee. Otherwise the water and wastewater rates remained at \$141 and \$141 per quarter, respectively. Due to a 17% decrease in the District's assessed valuation for property taxes, the District increased the debt service mill levy from 30.000 mills to 42.000 mills for 2012 in order to make the required debt service payments on the District's 2010 General Obligation Refunding Bonds. Total budgeted revenues for 2012 are \$697,557. Total budget expenditures for 2012 are \$701,479. The budget deficit of \$3,922 will be offset by District's fund balance carryover. Although expenditures are budgeted at \$701,479, the overall appropriation for expenditures was set by the Board of Directors at \$1,562,393.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Tabernash Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, L.L. Kourse, P.O. Box 443, Tabernash, CO 80478, (970) 726-2839.

BASIC FINANCIAL STATEMENTS

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 686,625	\$ 748,437
Cash and cash equivalents - Restricted	184,721	173,386
Accounts receivable:		
Customers	67,757	69,237
Others	24,224	27,047
Prepaid expenses	1,695	50
Prepaid tap inventory	24,000	24,000
Property taxes receivable	324,957	294,615
Total current assets	<u>1,313,979</u>	<u>1,336,772</u>
CAPITAL ASSETS		
Capital assets, not being depreciated	910,584	473,054
Capital assets, being depreciated	6,447,357	6,419,169
	<u>7,357,941</u>	<u>6,892,223</u>
Less accumulated depreciation and amortization	(1,886,967)	(1,668,201)
Total capital assets	<u>5,470,974</u>	<u>5,224,022</u>
OTHER ASSETS		
Bond issue costs, net	147,197	153,620
Total other assets	<u>147,197</u>	<u>153,620</u>
TOTAL ASSETS	<u>\$ 6,932,150</u>	<u>\$ 6,714,414</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 50,414	\$ 3,870
Accrued general leave	-	7,218
Interest payable	22,563	22,563
Deferred property taxes	324,162	293,884
Bonds, loans and capital leases payable - current	26,522	7,851
Total current liabilities	<u>423,661</u>	<u>335,386</u>
NONCURRENT LIABILITIES		
Bonds, loans and capital leases payable - noncurrent	3,886,724	3,513,245
Total noncurrent liabilities	<u>3,886,724</u>	<u>3,513,245</u>
Total liabilities	<u>4,310,385</u>	<u>3,848,631</u>
NET ASSETS		
Invested in capital assets net of related debt	1,748,670	1,856,546
Restricted for:		
Emergencies	1,600	1,600
Debt service	140,976	173,386
Capital construction and acquisition	43,745	-
Unrestricted	686,774	834,251
Total net assets	<u>2,621,765</u>	<u>2,865,783</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,932,150</u>	<u>\$ 6,714,414</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Service charges - water	\$ 132,159	\$ 127,868
Service charges - sewer	125,208	124,643
Intergovernmental charges for services	70,264	83,937
Other charges for services	71,055	46,845
Total operating revenue	<u>398,686</u>	<u>383,293</u>
OPERATING EXPENSES		
Water operations	166,016	114,184
Sewer operations	181,387	202,870
Administration	46,420	75,468
Depreciation	227,752	229,116
Total operating expenses	<u>621,575</u>	<u>621,638</u>
OPERATING LOSS	<u>(222,889)</u>	<u>(238,345)</u>
NONOPERATING REVENUE (EXPENSE)		
Property taxes	293,884	291,828
Specific ownership taxes	10,183	10,826
Net investment income	4,803	9,211
County treasurer's fees	(14,737)	(14,743)
Bond interest expense and fiscal charges	(308,839)	(302,628)
Bond issuance costs amortization	(6,423)	(8,638)
Loss on sale of land	-	(48,820)
Total nonoperating revenue (expense)	<u>(21,129)</u>	<u>(62,964)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(244,018)</u>	<u>(301,309)</u>
CAPITAL CONTRIBUTIONS		
Tap fees	-	440,000
Total capital contributions	<u>-</u>	<u>440,000</u>
CHANGE IN NET ASSETS	(244,018)	138,691
NET ASSETS - BEGINNING OF YEAR	<u>2,865,783</u>	<u>2,727,092</u>
NET ASSETS - END OF YEAR	<u>\$ 2,621,765</u>	<u>\$ 2,865,783</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 402,989	\$ 415,348
Payments to vendors	(186,018)	(180,679)
Payments to employees	(196,063)	(237,025)
Net cash provided (required) by operating activities	<u>20,908</u>	<u>(2,356)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital asset purchases	(448,765)	(113,787)
Principal paid on capital debt	(7,838)	(7,426)
Interest paid on capital debt	(273,851)	(183,264)
Tap fees received	-	440,000
Bond proceeds	365,000	3,800,000
Payment to refunding escrow	-	(3,635,646)
Bond issue costs paid	-	(158,437)
Proceeds from sale of land	-	60,000
Net cash provided (required) by capital financing activities	<u>(365,454)</u>	<u>201,440</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	304,003	301,923
County treasurer's fees paid	(14,737)	(14,743)
Interest received	4,803	9,211
Net cash provided by noncapital financing activities	<u>294,069</u>	<u>296,391</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(50,477)	495,475
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>921,823</u>	<u>426,348</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 871,346</u></u>	<u><u>\$ 921,823</u></u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (222,889)	\$ (238,345)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:		
Depreciation	227,752	229,116
Effects of changes in operating assets and liabilities:		
Accounts receivable	4,303	32,055
Prepaid expenses	(1,645)	12,103
Accounts payable	20,605	(12,780)
Accrued general leave	(7,218)	(24,505)
Net cash provided (required) by operating activities	<u><u>\$ 20,908</u></u>	<u><u>\$ (2,356)</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 – DEFINITION OF REPORTING ENTITY

Tabernash Meadows Water and Sanitation District (District), was created on November 14, 1996, as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Grand County, Colorado. The District purpose is to provide for the design, acquisition, installation and construction of a complete water and irrigation water system, sanitary sewers, flood and surface drainage, wastewater treatment and disposal works and facilities, and all necessary or proper equipment and appurtenances incident thereto. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989, are not applied.

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

During the year ended December 31, 2011, supplemental appropriations approved by the District modified the appropriation from \$1,642,236 to \$2,015,858.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 1 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Investments

Investments are stated at fair value.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable consist of uncollected water and sewer service revenue. Due to the District's broad powers of collection, no allowance for uncollectible water and sewer service revenue receivables has been reported.

Prepaid Expenses

Certain payments to vendors for goods or services reflect costs which are applicable to future accounting periods are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water system	25 - 30 years
Wastewater	25 - 30 years
Vehicles and equipment	3 - 5 years

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Bond Issue Costs

Bond issue costs are reported as deferred charges and amortized over the term of the bonds using the straight line method.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Loss on Bond Refunding

The loss on bond refunding has been deferred and is being amortized over the remaining term of the refunded bonds using the straight line method. The annual amortization of the deferred loss is reported as a component of bond interest expense in the statement of revenues, expenses and changes in fund net assets. The unamortized deferred loss on bond refunding is reported with the long-term obligations in the statement of net assets.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2011 and 2010 are classified in the accompanying financial statements as follows:

	2011	2010
Cash and cash equivalents - Unrestricted	\$ 686,625	\$ 748,437
Cash and cash equivalents - Restricted	184,721	173,386
Total cash and cash equivalents	<u>\$ 871,346</u>	<u>\$ 921,823</u>

The restricted cash and cash equivalents at December 31, 2011 consists of \$140,976 restricted for the payment of debt service on the District's general obligation bonds and \$43,745 restricted for capital asset construction and acquisition. The restricted cash and cash equivalents at December 31, 2010 consists of \$173,386 restricted for the payment of debt service on the District's general obligation bonds.

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2011, the District had cash deposits with a bank balance of \$703,131 and a carrying balance of \$664,717. At December 31, 2010, the District had cash deposits with a bank balance of \$716,384 and a carrying balance of \$702,078.

At December 31, 2011 the District had cash deposits of \$43,745 held in escrow by the Colorado Water Resources and Power Development Authority representing unspent loan proceeds available for the construction and acquisition of capital assets.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 - CASH AND INVESTMENTS (continued)

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

At December 31, 2011 and 2010 the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2011</u>	<u>2010</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 162,884</u>	<u>\$ 219,745</u>

CSAFE

The District has invested \$162,884 and \$219,745 as of December 31, 2011 and 2010, respectively, in the CSAFE, which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. The CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, highest rate commercial paper and repurchase agreements collateralized by U.S. Treasury securities. CSAFE is rated AAAM by Standard & Poor's. Information related to Standard & Poor's ratings can be obtained from Standard & Poor's.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 - CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2011:

	Balance at December 31, 2010	Additions	Disposals/ Retirements	Balance at December 31, 2011
Capital assets, not being depreciated:				
Land	\$ 56,156	\$ -	\$ -	\$ 56,156
Water rights	333,200	-	-	333,200
Construction in progress	83,698	437,530	-	521,228
Total capital assets, not being depreciated	<u>473,054</u>	<u>437,530</u>	<u>-</u>	<u>910,584</u>
Capital assets, being depreciated:				
Water system	2,567,042	28,854	-	2,595,896
Wastewater system	3,723,583	-	-	3,723,583
Vehicles and equipment	128,544	8,320	(8,986)	127,878
Total capital assets being depreciated	<u>6,419,169</u>	<u>37,174</u>	<u>(8,986)</u>	<u>6,447,357</u>
Less accumulated depreciation for:				
Water system	(647,348)	(84,437)	-	(731,785)
Wastewater system	(944,358)	(122,939)	-	(1,067,297)
Vehicles and equipment	(76,495)	(20,376)	8,986	(87,885)
Total accumulated depreciation	<u>(1,668,201)</u>	<u>(227,752)</u>	<u>8,986</u>	<u>(1,886,967)</u>
Total capital assets being depreciated, net	<u>4,750,968</u>	<u>(190,578)</u>	<u>-</u>	<u>4,560,390</u>
Total capital assets, net	<u>\$ 5,224,022</u>	<u>\$ 246,952</u>	<u>\$ -</u>	<u>\$ 5,470,974</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 - CAPITAL ASSETS (continued)

The following is an analysis of the changes in capital assets for the year ended December 31, 2010:

	Balance at December 31, 2009	Additions	Disposals/ Retirements	Balance at December 31, 2010
Capital assets, not being depreciated:				
Land	\$ 164,976	\$ -	\$ 108,820	\$ 56,156
Water rights	333,200	-	-	333,200
Construction in progress	-	83,698	-	83,698
Total capital assets, not being depreciated	<u>498,176</u>	<u>83,698</u>	<u>108,820</u>	<u>473,054</u>
Capital assets, being depreciated:				
Water system	2,567,042	-	-	2,567,042
Wastewater system	3,703,056	20,527	-	3,723,583
Vehicles and equipment	118,982	9,562	-	128,544
Total capital assets being depreciated	<u>6,389,080</u>	<u>30,089</u>	<u>-</u>	<u>6,419,169</u>
Less accumulated depreciation for:				
Water system	(563,487)	(83,861)	-	(647,348)
Wastewater system	(821,901)	(122,457)	-	(944,358)
Vehicles and equipment	(53,697)	(22,798)	-	(76,495)
Total accumulated depreciation	<u>(1,439,085)</u>	<u>(229,116)</u>	<u>-</u>	<u>(1,668,201)</u>
Total capital assets being depreciated, net	<u>4,949,995</u>	<u>(199,027)</u>	<u>-</u>	<u>4,750,968</u>
Total capital assets, net	<u>\$ 5,448,171</u>	<u>\$ (115,329)</u>	<u>\$ 108,820</u>	<u>\$ 5,224,022</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2011:

	Balance at December 31, 2010	Additions	Refunded/ Reductions	Balance at December 31, 2011	Due Within One Year
Bonds payable:					
GO Refunding Bonds Series 2010	\$ 3,800,000	\$ -	\$ -	\$ 3,800,000	\$ -
CWRPDA Loan	-	365,000	-	365,000	18,250
Less deferred loss on bond refunding	(311,980)	-	(34,988)	(276,992)	-
Total bonds payable	3,488,020	365,000	(34,988)	3,888,008	18,250
Capital leases:					
Capital Lease - Loader	24,866	-	5,825	19,041	6,171
Capital Lease - Copier	8,210	-	2,013	6,197	2,101
Total long-term obligations	<u>\$ 3,521,096</u>	<u>\$ 365,000</u>	<u>\$ (27,150)</u>	<u>\$ 3,913,246</u>	<u>\$ 26,522</u>

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2010:

	Balance at December 31, 2009	Additions	Refunded/ Reductions	Balance at December 31, 2010	Due Within One Year
Bonds payable:					
GO Bonds Series 2000	\$ 3,360,000	\$ -	\$ 3,360,000	\$ -	\$ -
GO Refunding Bonds Series 2010	-	3,800,000	-	3,800,000	-
Less deferred loss on bond refunding	-	(338,221)	(26,241)	(311,980)	-
Total bonds payable	3,360,000	3,461,779	3,333,759	3,488,020	-
Capital leases:					
Capital Lease - Loader	30,365	-	5,499	24,866	5,825
Capital Lease - Copier	10,137	-	1,927	8,210	2,026
Total long-term obligations	<u>\$ 3,400,502</u>	<u>\$ 3,461,779</u>	<u>\$ 3,341,185</u>	<u>\$ 3,521,096</u>	<u>\$ 7,851</u>

General Obligation Refunding Bonds, Series 2010

On March 31, 2010, the District issued \$3,800,000 of General Obligation Refunding Bonds dated March 31, 2010. The bonds are term bonds due December 1, 2034. The bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2013, and on each December 1 thereafter. The bonds bear interest at 7.125%, payable semi-annually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part in integral multiples of \$5,000, on December 1, 2020, and on any date thereafter, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The bonds in the aggregate principal amount not to exceed \$500,000 are subject to extraordinary redemption prior to maturity, at the option of the District, as a whole or integral multiples of \$5,000, on any one or more interest payment dates, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

Security for the bonds is provided by a pledge of the District's property taxes, specific ownership taxes, and other legally available moneys of the District. The District is required to impose a mill levy, without limitation of rate, in the amount sufficient pay the principal and interest on the bonds as they become due.

Colorado Water Resources and Power Development Authority Loan

On April 15, 2011, the District entered into a \$365,000 Loan Agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) dated April 15, 2011. The loan bears an interest rate of 0%. The loan requires semi-annual principal only payments of \$9,125 on May 1 and November 1 beginning on May 1, 2012 and continuing through November 1, 2031. The loan was entered into to fund capital improvements consisting of a dewatering press and headworks screening enhancements in order to convert liquid biosolids into compost.

Security for the loan is provided by a pledge of the net revenue of the District, excluding certain revenues as defined in the loan agreement. Additionally the District has covenanted to establish and collect such rates, fees and charges, together with other available revenues will be at least sufficient to pay the sum of: a) operation and maintenance expenses, b) 110% of the debt services on the loan, c) the amount, if any, to be paid into any debt service reserve account in connection with any obligations secured by a lien on the net revenue which lien is on a parity with the lien of this loan agreement on the net revenue, d) a sum equal to the debt service on any obligations secured by a lien on the net revenue which lien is subordinate to the lien of this loan agreement on the net revenue, and e) amounts necessary to pay and discharge all charges and liens or other indebtedness not described above and payable out of the gross revenue of the District.

The District's general obligation bonds and loan will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 18,250	\$ 270,750	\$ 289,000
2013	33,250	270,750	304,000
2014	38,250	269,681	307,931
2015	38,250	268,256	306,506
2016	48,250	266,831	315,081
2017-2021	601,250	1,263,619	1,864,869
2022-2026	951,250	1,029,919	1,981,169
2027-2031	1,381,250	666,544	2,047,794
2032-2034	1,055,000	154,256	1,209,256
	<u>\$ 4,165,000</u>	<u>\$ 4,460,606</u>	<u>\$ 8,625,606</u>

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 – LONG-TERM OBLIGATIONS (continued)

Capital Lease - Loader

On November 12, 2009, the District entered into a capital lease obligation to purchase a Bobcat skid-steer loader for \$30,809. The payments of \$593, representing principal and interest at 5.783%, are due monthly through November 2014. The District capitalized the cost of the loader in the amount of \$30,809, which as of December 31, 2011 and 2010 had accumulated depreciation of \$13,351 and \$7,189, respectively. During 2011 and 2010 the District incurred and paid interest of \$1,285 and \$1,612, respectively, under this capital lease.

Capital Lease – Copier

On November 5, 2009, the District entered into a capital lease obligation to purchase a Konica Minolta copier for \$10,450. The payments of \$194, representing principal and interest at 4.480%, are due monthly through November 2014. The District capitalized the cost of the copier in the amount of \$10,450, which as of December 31, 2011 and 2010 had accumulated depreciation of \$4,528 and \$2,438, respectively. During 2011 and 2010 the District incurred and paid interest of \$316 and \$401, respectively, under this capital lease.

The District's capital lease obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2012	\$ 9,446
2013	9,438
2014	8,458
Total minimum lease payments	27,342
Amount representing interest	(2,104)
Present value of minimum lease payments	<u>\$ 25,238</u>

Authorized Debt

On November 4, 1997, a majority of the District's voters authorized the issuance of general obligation indebtedness in an amount not to exceed the following amounts and for the following purposes: \$5,000,000 for a sanitary sewage collection and transmission system; \$3,000,000 for a complete potable and non-potable water supply, treatment, storage, transmission, and distribution system; \$8,000,000 for the purpose of refunding, paying or defeasing other financial obligations of the District; for a total authorization of \$16,000,000. As of December 31, 2011, the District had utilized \$5,300,000 of the total authorized debt, resulting in \$10,700,000 of authorized but unissued general obligation indebtedness.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 6 - NET ASSETS

The District has net assets consisting of three components – invested in capital assets, restricted and unrestricted.

Invested in capital assets, consists of capital assets, net of accumulated depreciation and if applicable reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2011 and 2010, the District had invested in capital assets of \$1,748,670 and \$1,856,546, respectively.

Restricted net assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed through constitutional provisions or enabling legislation. The District had restricted net assets of \$1,600 and \$1,600 as of December 31, 2011 and 2010, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 11).

At December 31, 2011, the District had restricted net assets of \$184,721, representing \$140,976 of accumulated cash and cash equivalents in the bond surplus account, which is restricted for the payment of debt service on the District's General Obligation Refunding Bonds, Series 2010, and \$43,745 representing unspent loan proceeds restricted for capital asset construction and acquisition. At December 31, 2010, the District had \$173,386, representing the accumulated cash and cash equivalents in the bond surplus account, which is restricted for the payment of debt service on the District's General Obligation Refunding Bonds, Series 2010.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 – INTERGOVERNMENTAL AGREEMENT

The District has entered into an intergovernmental agreement with Grand County (County) related to the operation of a wastewater treatment system. The District has the capacity to treat 200,000 gallons of wastewater influent and 418 pounds of BOD organic material per day. The amended 1041 permit allows the plan to service 714 single-family taps. As of December 31, 2011, 192 taps have been sold to residents within the community.

Total costs associated with the facility, including construction, land purchase, engineering and inspection fees, developer expenses and organization costs, legal and accounting costs were borne by the District and the County at 66.7% and 33.3%, respectively. Ownership of the facility is to be shared by the District and the County based on the same percentages of shared costs. With the completion of the wastewater treatment plant in 2001 and the upgrade in 2005, the District and the County agreed to share the operating expenses of the plant in the same ratio of ownership.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 8 – INTERGOVERNMENTAL AGREEMENT (continued)

For the years ended December 31, 2011 and 2010, the District billed the County \$70,264 and \$74,937, respectively for the County's share of the operational costs of the facilities. For the year ended December 31, 2010, the District also billed the County \$9,000 for the County's share of the capital improvements to the facilities.

NOTE 9 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Plan Description

The District contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained [online at www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the District it is 10.00 percent of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (See Note 10). If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, however no member contributions are required. The District is also required to pay an amortization equalization disbursement equal to 2.2 percent for the calendar years 2011 and 2010 (1.8 percent of the total payroll for the calendar year 2009). For 2011 and 2010 the District was required to pay a supplemental amortization equalization in the amount of 1.5 percent of the total payroll for the calendar year (1.0 percent for 2009). For the years ending December 31, 2011, 2010, and 2009, the District's employer contributions to LGDTF were \$21,508, \$20,958, and \$23,298, respectively, equal to the required contributions for each year. For the years ending December 31, 2011, 2010, and 2009, the District's employee contributions to LGDTF were \$13,570, \$16,972, and \$16,160, respectively, equal to the required contributions for each year.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 10 – POST RETIREMENT HEALTHCARE BENEFITS

Plan Description

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained [online at www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The District is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending December 31, 2011, 2010 and 2009, the District's employer contributions to the HCTF were \$1,730, \$1,686 and \$2,017, respectively, equal to their required contributions for each year.

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 7, 1995 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District be authorized to collect, retain and spend developer contributions, rates, fees, tolls and charges, and any other revenues not derived from ad valorem taxes in 1996 and each year thereafter, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change, without regard to any spending, revenue-raising or other limitation of Article X, Section 20 of the Colorado Constitution, or any other law?

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

On November 5, 1996 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District be increased \$15,000 annually, commencing with a total mill levy not to exceed 6.325 mills certified in 1996, and by whatever additional amounts are raised each year thereafter from a total mill levy not to exceed 6.325 mills, for the purpose of funding any lawful expenses of the District, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change without regard to and spending, revenue-raising or other limitation of Article X Section 20 of the Colorado Constitution or any other law; and shall the revenue from such taxes and any investment income thereon also be approved for 1997 and each thereafter as an increased levy under section 29-1-302, C.R.S.?

On November 4, 1997 a majority of the District's voters approved the following ballot questions:

Shall Tabernash Meadows Water and Sanitation District taxes be increased \$500,000 annually, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses: such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the Board, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, to be used for the purpose of paying the District's operations, maintenance, and other expenses; and shall the proceeds of such taxes and investment income thereon constitute voter-approved revenue changes and be collected and spent by the District each year without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes?

Shall Tabernash Meadows Water and Sanitation District, for purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of \$500,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

On November 3, 1998 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District, for the purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of \$2,000,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues, be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (continued)

Constitution, and without limiting, in 1998 or any year thereafter, the amount of other revenues that may be collected and spent by the District under Section 29-1-301, C.R.S. or any other statute or law?

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of the District's activities qualify as an Enterprise within the meaning of TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 51,172	\$ 51,172	\$ 51,172	\$ -
Bond property taxes	242,712	242,712	242,712	-
Specific ownership tax	5,000	5,000	10,183	5,183
County portion of operations	67,746	67,746	70,264	2,518
County portion of capital	8,660	8,660	-	(8,660)
Interest income	2,700	2,700	4,803	2,103
Other income	35,000	35,000	71,055	36,055
Service charges	252,672	252,672	257,367	4,695
Total Revenues	665,662	665,662	707,556	41,894
EXPENDITURES				
Salaries and benefits	185,956	185,956	188,845	(2,889)
HR development	3,000	3,000	1,993	1,007
Contract/professional services	15,000	15,000	5,804	9,196
Vehicle expense	12,000	12,000	8,261	3,739
Operating supply/equipment	27,000	27,000	26,861	139
Operating supply non-reimburse	1,000	1,000	4,113	(3,113)
Lab testing	9,200	9,200	5,657	3,543
Biosolids removal	17,200	17,200	3,989	13,211
Utilities	21,806	21,806	33,471	(11,665)
Snow removal	1,000	1,000	1,200	(200)
Communication	6,000	6,000	6,389	(389)
Office supply	6,000	6,000	9,528	(3,528)
Permits	2,500	2,500	2,990	(490)
Dues and subscriptions	1,350	1,350	1,139	211
Audit and accounting	20,900	20,900	20,544	356
Treasurer fees	14,400	14,400	14,737	(337)
General and water rights legal	40,000	40,000	60,436	(20,436)
Board of directors expense	2,200	2,200	-	2,200
General liability insurance	15,400	15,400	12,602	2,798
Capital expenditures	49,587	414,587	474,704	(60,117)
Bond administration	1,150	1,150	1,500	(350)
Bond and capital lease interest	270,750	270,750	272,352	(1,602)
Bond and capital lease principal	9,432	9,432	7,838	1,594
Contingency	909,405	918,027	-	918,027
Total expenditures	1,642,236	2,015,858	1,164,953	850,905
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(976,574)	(1,350,196)	(457,397)	892,799
OTHER FINANCING SOURCES (USES)				
Loan issued	-	365,000	365,000	-
Total other financing sources (uses)	-	365,000	365,000	-
NET CHANGE IN FUND BALANCES	(976,574)	(985,196)	(92,397)	892,799
FUNDS AVAILABLE - BEGINNING OF YEAR	989,665	1,009,237	1,009,237	-
FUNDS AVAILABLE - END OF YEAR	\$ 13,091	\$ 24,041	\$ 916,840	\$ 892,799

Funds available at is computed as follows:

Current assets	\$ 1,313,979
Current liabilities	(423,661)
Add back current portion of bonds, loans and capital leases payable	26,522
	<u>\$ 916,840</u>

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended December 31, 2011**

Revenue (budgetary basis)	\$ 1,072,556
Bonds issued	<u>(365,000)</u>
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u>707,556</u>
Expenditures (budgetary basis)	1,164,953
Depreciation	227,752
Capital outlay	(474,704)
Bond and capital lease principal	(7,838)
Bond issuance costs amortization	6,423
Amortization of deferred loss on bond refunding	<u>34,988</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u>951,574</u>
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u><u>\$ (244,018)</u></u>

STATISTICAL INFORMATION

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2011**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Property Taxes		Percentage Collected to Levied
		Operations	Debt Service	Levied	Collected	
2009	\$ 6,834,210	6.325	20.000	\$ 179,911	\$ 174,395	96.9%
2010	\$ 7,884,250	6.325	30.000	\$ 286,395	\$ 291,828	101.9%
2011	\$ 8,090,390	6.325	30.000	\$ 293,884	\$ 293,884	100.0%
Estimated for year ending December 31,						
2012	\$ 6,707,960	6.325	42.000	\$ 324,162		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.